

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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R 231727Z DEC 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 211

INFO ALL EC CAPITALS 1475

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E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: SKIM MILK POWDER MIXING REGULATION

REF: A. EC BRUSSELS 11373, B. MTN GENEVA 9422, C. EC BRUSSELS 11424,
D. EC BRUSSELS 11110, E. EC BRUSSELS 11290, F. EC BRUSSELS 11020

1. IN ANTICIPATION OF LARDINOIS' MEETING WITH SECRETARY BUTZ ON JAN 7, I RECOMMEND WE BE ABSOLUTELY FIRM ON THE POINT THAT THE UNITED STATES WILL NOT TOLERATE ANY DILUTION OF ITS GATT CONCESSION FROM THE COMMUNITY ON SOYBEANS AND SOYBEAN MEAL. IT MUST BE MADE CLEAR TO LARDINOIS THAT A MIXING REQUIREMENT WOULD BE INCOMPATIBLE WITH THAT PRINCIPLE, CONTRARY TO GATT AND LIKELY TO PROVOKE AN IMMEDIATE US REACTION.

2. THERE ARE DIFFERENCES WITHIN THE COMMISSION ON THE CURRENT SOYBEAN ISSUE (E.G., AT LEAST GUNDELACH IS OPPOSED TO THE MIXING REGULATION), AND THE FIRST REACTION OF THE MEMBER STATES HAS NOT BEEN UNIFORMLY ENTHUSIASTIC (REFS E AND F). THEREFORE, WE BELIEVE THEREIS STILL A CHANCE TO TURN THE EC AROUND ON THE

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MIXING CONCEPT. BUT TO ACHIEVE OUR OBJECTIVE, WE MUST HOLD THE LINE

IN THE WASHINGTON TALKS. AS LARDINOIS HAS ALREADY FORESHADOWED IN A PRESS CONFERENCE (REF D), HIS OBJECTIVE WILL BE TO COME BACK TO THE COUNCIL MEETING AND SAY THAT HE FOUND "UNDERSTANDING" AND "SYMPATHY" IN WASHINGTON, WITH THE IMPLICATION THAT THE USG WOULD NOT REACT TOO VIGOROUSLY. TO ACHIEVE THIS OBJECTIVE LARDINOIS MAY BE WILLING TO FIDDLE WITH THE AMOUNTS AND TIME PERIODS. IN OUR VIEW, THE DISCUSSION SHOULD NOT RPT NOT GET INTO THIS KIND OF HORSE-TRADING - THE PRINCIPLE IS TOO IMPORTANT.

3. THE EC HAS A NUMBER OF CHOICES RE HANDLING THE PROBLEM CAUSED BY THE ACCUMULATION OF SKIM POWDER. LARDINOIS HAS OBVIOUSLY OPTED FIRST FOR THE COMPULSORY MIXING REGULATION SINCE THIS IS THE LEAST COSTLY CHOICE AND WOULD FORCE THE COMMUNITY'S TRADING PARTNERS TO BEAR PART OF THE COST OF DISPOSAL. OTHER POSSIBILITIES SUCH AS INCREASED FOOD AID AND CHARITABLE DISPOSALS WILL RUN INTO OPPOSITION BY THE GERMANS AND OTHER MEMBER STATES ON THE GROUND OF COST. THE BEST ALTERNATIVE FROM OUR POINT OF VIEW APPEARS TO BE RETENTION OF STOCKS (EXCEPT FOR DISPOSALS VIA FOOD AID AND OTHER CHARITABLE CONTRIBUTIONS) AND A CUT-BACK IN DOMESTIC PRODUCTION TO AVOID THE CREATION OF OTHER SURPLUSES. THE CURRENT COMMISSION PROPOSALS IN THE DAIRY SECTOR (REF C) DO NOT SERIOUSLY ADDRESS THE FUNDAMENTAL SURPLUS PROBLEM.

4. WE CANNOT, OF COURSE, TELL THE COMMUNITY HOW TO DEAL WITH ITS LONG-TERM DAIRY PROBLEM. BUT WE CAN AND SHOULD OBJECT STRONGLY TO MEASURES WHICH INTERFERE WITH OUR TRADE. LARDINOIS MAY PRESENT THE MIXING REGULATION AS A TEMPORARY, SHORT-TERM ACTION. THE DANGER IN ACCEPTING THIS LINE (OR IN TACIT ACQUIESCE) IS THAT SUCH "TEMPORARY, LIMITED" MEASURES MAY WHET THE APPETITES OF THOSE IN THE COMMUNITY ARGUING THAT THE ABSENCE OF A RESTRICTIVE IMPORT REGIME FOR VEGETABLE FATS AND PROTEINS IS A MAJOR HOLE IN THE CAP. IT MAY ALSO STIMULATE THOSE WHO PRESS FOR AN EC "PROJECT INDEPENDENCE" IN PROTEIN ON THE GROUND THAT THE US HAS BEEN AN UNRELIABLE SUPPLIER IN THE PAST. FINALLY, A TEMPORARY CORRECTIVE MEASURE FOR THIS COMMODITY COULD EASILY BECOME PERMANENT. THE COMMISSION HAS STATED OFFICIALLY THAT THE EC'S DAIRY SURPLUS PROBLEM WILL CONTINUE INDEFINITELY. WE HAVE TO ENSURE THAT THE SOLUTION IS NOT AT YOUR EXPENSE. GREENWALD

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Message Attributes

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Disposition Date: 28 MAY 2004
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